



SPECIAL REVIEW OF  
SHERIFF'S OFFICE  
BUTLER COUNTY, MISSOURI  
INMATE AND COMMISSARY ACCOUNTS  
MARCH 1, 1998 THROUGH JUNE 8, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 99-109  
November 10, 1999

**AUDIT REPORT**



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

November 1999

**Missing funds were discovered as a result of an audit conducted by our office of the Butler County Sheriff's Inmate and Commissary Accounts.**

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Inadequate internal controls and a lack of oversight of the inmate and commissary accounts allowed a shortage of \$10,217 to occur in the Inmate Account.

As of December 31, 1998, at least \$3,082 was being held for inmates and \$11,033 was due to the Commissary Account. However, the reconciled bank balance in the Inmate Account was only \$3,898, creating a \$10,217 shortage. Part of this shortage accumulated during the period March 1, 1998 through December 31, 1998, when more than \$5,000 of inmate monies recorded as received, were not deposited.

Receipt slips were not reconciled to the amounts transmitted for deposit to the Inmate Account. From March 1, 1998 through December 1998 receipt slips issued totaled approximately \$5,000 more than amounts deposited. After January 1999, when our audit of Butler County began, the receipt slips substantially agree to deposits.

Commissary sales were not reported on a timely basis and sales of approximately \$11,000 were not reported at all, which helped to conceal the shortage of inmate monies.

Information gathered during our review has been turned over to law enforcement authorities. The State Auditor recommended the Sheriff work with law enforcement officials regarding any criminal prosecution and to obtain restitution of the missing funds. The Sheriff responded that he will have this investigated by the Missouri State Highway Patrol.

YELLOW SHEET

SPECIAL REVIEW OF  
 SHERIFF'S OFFICE  
 BUTLER COUNTY, MISSOURI  
 INMATE AND COMMISSARY ACCOUNTS

TABLE OF CONTENTS

		<u>Page</u>
STATE AUDITOR'S REPORT .....		1
EXECUTIVE SUMMARY .....		2-3
MANAGEMENT ADVISORY REPORT .....		4-8
<u>Number</u>	<u>Description</u>	
1.	Missing Funds .....	5
2.	Accounting Controls and Procedures .....	6
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS .....		9-11



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

County Commission of Butler County, Missouri  
and  
Sheriff of Butler County, Missouri

We have conducted a special review of the records and procedures related to the Inmate and Commissary Accounts of the Sheriff of Butler County, Missouri. The scope of the special review included, but was not limited to, the period March 1, 1998 through June 8, 1999. The objectives of this review were to:

1. Investigate suspected irregularities.
2. Determine the amount of monies misappropriated.
3. Review and evaluate certain controls and procedures regarding the collection of and accounting for inmate monies.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the financial records and procedures related to the Inmate and Commissary Accounts and interviewed personnel of the Sheriff's office.

Our review was limited to the specific matters described above and was based on the selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying Management Advisory Report presents our findings, comments, and recommendations arising from our audit of the Sheriff's office of Butler County, Missouri.

A handwritten signature in cursive script that reads "Claire McCaskill".

Claire McCaskill  
State Auditor

October 14, 1999 (fieldwork completion date)

## EXECUTIVE SUMMARY

SPECIAL REVIEW OF  
SHERIFF'S OFFICE  
BUTLER COUNTY, MISSOURI  
INMATE AND COMMISSARY ACCOUNTS

At December 31, 1998, the Inmate Account was short \$10,217. At least \$3,082 was being held for inmates and \$11,033 was due to the Commissary Account. However, the reconciled bank balance in the Inmate Account was only \$3,898, creating the \$10,217 shortage. Part of this shortage accumulated during the period March 1, 1998 through December 31, 1998, when more than \$5,000 of inmate monies were recorded as received, but not deposited. Commissary sales were not reported on a timely basis and commissary sales of approximately \$11,000 were not reported at all, which helped to conceal the shortage of inmate monies.

This shortage may have been prevented or detected on a more timely basis if adequate oversight and review had been performed and internal controls, as noted in the prior Management Advisory Report (MAR) and repeated in the current MAR, had been established.

Bill R. Heaton serves as Sheriff of Butler County. Francine Willoughby, was the correction officer responsible for receiving and recording inmate monies and conducting commissary sales prior to June 25, 1999. On June 25, 1999, the Sheriff reassigned the duties of collecting and recording inmate monies to another employee.

MANAGEMENT ADVISORY REPORT

SPECIAL REVIEW OF  
SHERIFF'S OFFICE  
BUTLER COUNTY, MISSOURI  
INMATE AND COMMISSARY ACCOUNTS

The Sheriff's office collects approximately \$100,000 annually on behalf of inmates and provides a commissary service for inmates twice a week. Inmates are able to purchase commissary items from monies that are held in trust for them by the Sheriff's office. Prior to March 1, 1998, commissary services were provided by an independent vendor. In March 1998, the Sheriff's office began purchasing and maintaining inventory to be resold to inmates. One correction officer was primarily responsible for receiving and recording inmate monies and conducting commissary sales prior to June 25, 1999. The duties of receiving and recording inmate monies were then transferred to the employee responsible for depositing the monies, cosigning checks and reconciling the bank accounts.

On January 4, 1999, we began our routine audit of Butler County. During our audit of the Sheriff's office, we noted discrepancies between amounts received on behalf of inmates and amounts deposited into the Inmate Account. This special review was performed to more fully review the circumstances related to these discrepancies and to more fully determine the extent of misappropriated monies.

Following are our comments regarding the misappropriated funds and the accounting controls and procedures over the Inmate and Commissary Accounts.

<b>1.</b>	<b>Missing Funds</b>
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Upon incarceration, any monies in the custody of an inmate are receipted and deposited into the Inmate Account. Friends and relatives are also allowed to leave monies which are receipted and deposited by the Sheriff's office for the inmates' use during incarceration. The amounts of monies received, commissary purchases made, and the available cash balance for each inmate are recorded on a computer. Prior to holding commissary, a correction officer distributes order forms to each inmate reflecting the items available for purchase and the inmate's available cash balance. The correction officer records the amount of each inmate's purchases on the computer and reports the total commissary sales for all inmates to another employee who transfers that amount from the Inmate Account to the Commissary Account. Invoices to replenish the commissary inventory are then paid from the Commissary Account and periodically, excess monies (profit) are transferred to the county's General Revenue Fund.

At December 31, 1998, the Inmate Account was short \$10,217. At least \$3,082 was being held for inmates and \$11,033 was due to the Commissary Account. However, the reconciled bank balance in the Inmate Account was only \$3,898, resulting in a shortage of \$10,217. Part of this shortage accumulated during the period March 1, 1998 through December 31, 1998, when more than \$5,000 of inmate monies were recorded as received, but not deposited. In addition, the correction officer did not report commissary sales in a timely manner and commissary sales of approximately \$11,000 were not reported at all. This helped to conceal the shortage since these monies were not transferred out of the Inmate Account to the Commissary Account.

The shortage of inmate monies went undetected due to several internal control weaknesses, including inadequate segregation of duties and lack of independent review, as discussed later in this report.

Information gathered during our review has been turned over to law enforcement authorities.

**WE RECOMMEND** the Sheriff work with law enforcement officials regarding any criminal prosecution and to obtain restitution of the missing funds.

**AUDITEE'S RESPONSE**

*We will have this investigated by the Missouri State Highway Patrol.*

<b>2. Accounting Controls and Procedures</b>
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- A. Receipt slips were not issued for some monies received from (or for) inmates. Some receipt slips issued for inmate monies were not pre-numbered and did not identify the method of payment (i.e., cash, check or money order).

Pre-numbered receipt slips should be issued for all monies received, and the method of payment should be noted on the receipt slip.

- B. Prior to early 1999, receipt slips issued were not reconciled to amounts transmitted for deposit. From March 1998 through December 1998, receipt slips issued totaled approximately \$5,000 more than amounts deposited. The receipts slips were also not reconciled to the amounts recorded to each inmate's account on the computer. In addition, receipts recorded on the computer for which a receipt slip was not issued totaled \$753 for August through November 1998. This would increase the amount of undeposited receipts as calculated above. After December 31, 1998, receipt slips substantially agree to deposits and to amounts recorded on the computer.

To ensure all amounts are properly recorded and handled, receipt slips should be reconciled to the amounts recorded on the computer and the amounts deposited. The reconciliation should include agreeing the composition of the receipt slips to the composition of the deposits.

- C. Monies received were not adequately safeguarded prior to deposit. Employees of the Sheriff's office indicated monies were not locked in a drawer or otherwise secured prior to deposit and were accessible by a number of individuals.

To establish accountability and adequately protect monies from loss, theft or misuse, monies should be secured in a location with access limited to the individual responsible for the monies.

- D. Errors were made, and not detected, in calculating the amount of monies to be transferred to the Commissary Account. Sales were not reported on a timely basis, some sales were inaccurately reported, and others were not reported at all.

Approximately \$11,000 of commissary sales were never reported or transferred to the Commissary Account. This includes sales from as early as May 1998.

In addition, some commissary purchases were not properly recorded to the inmate accounts or were not recorded in a timely manner. As a result, some inmates upon release received larger refunds than were due to them.

To ensure all sales are transferred from the Inmate Account to the Commissary Account, the purchases should be recorded promptly to each inmate's account, and the total sales calculated after each commissary sale. Transfers from the Inmate Account to the Commissary Account for the total sale amount should be made at least weekly.

- E. The balance in the Inmate Account was not reconciled to the individual inmate account balances. As of December 31, 1998 the inmates' account balances totaled approximately \$3,082 and undistributed commissary sale monies owed to the Commissary Account totaled \$11,033. The reconciled bank balance on that date was only \$3,898 resulting in an \$10,217 shortage in the Inmate Account.

Upon being released from the Butler County Jail, any balance remaining in the inmate's account may be refunded to him, transferred to another inmate's account, or sent to the correctional facility to which the inmate is being transferred. Many instances were noted where the balance was refunded, but not recorded on the computer records. While these amounts were not included in the inmate balances above, the records need to be updated and the refunds recorded on a timely basis.

To ensure that all inmate monies are properly recorded and deposited, the balance in the Inmate Account should be reconciled monthly to the inmate balances, and any other monies remaining in that account. In addition, all refunds made should be promptly recorded to the inmate's account.

- F. The accounting duties related to the Inmate and Commissary Accounts were not adequately segregated. One person was responsible for receipting, recording receipts to the inmates' accounts, and transmitting monies for deposit. There was no review or independent reconciliation of receipt slips issued to monies transmitted for deposit, or amounts recorded to inmate accounts. In addition, the same person was responsible for conducting the commissary sales, recording the sales to the inmates' accounts and reporting the amount of monies to be transferred to the Commissary Account. There was no independent review of the amount of sales recorded to the inmate accounts with the inventory reconciliations or the amounts reported as sales to be transferred to the Commissary Account.

To ensure monies are properly recorded and handled, the duties of receipting and depositing monies need to be segregated from those of recording receipts to the inmates' accounts. Also, someone without access to cash receipts needs to record the commissary sales to the inmates' accounts and report the amount to be transferred to the Commissary Account.

- G. The Sheriff's office does not maintain a running inventory (perpetual inventory) of items purchased from vendors, items sold to inmates, and inventory balances. A record of what should be in the inventory should be reconciled periodically to an actual physical inventory on hand.

To ensure commissary items are properly recorded and handled, purchases and sales should be compared with actual inventory on hand.

Conditions similar to A. B. and E. were reported in our prior audit.

**WE RECOMMEND** the Sheriff:

- A. Ensure pre-numbered receipt slips are issued for all monies received and the composition of the receipt is noted on the receipt slip.
- B. Ensure receipt slips are reconciled to deposits, including the composition of receipt slips to the composition of deposits. In addition, amounts recorded on the computer should be reconciled to receipt slips and deposits.
- C. Ensure monies are adequately safeguarded until deposited.
- D. Ensure purchases are recorded promptly to the inmates' accounts and the total sale amount transferred to the Commissary Account.
- E. Ensure the Inmate Account balance is reconciled monthly to inmate balances. Any differences should be immediately followed up on and resolved. In addition, all refunds should be promptly recorded to the inmates' accounts.
- F. Ensure accounting duties are adequately segregated or an independent review is made of the records and reconciliations.
- G. Ensure perpetual inventory records are maintained and periodically reconciled to a physical inventory.

**AUDITEE'S RESPONSE**

A-C. *These have been implemented.*

D. *This has been implemented. Monies are transferred weekly to the Commissary Account.*

E. *This has been implemented. Currently, the only differences occurred prior to January 1999.*

F. *The administrative assistant is currently reviewing the records and reconciliations.*

G. *Not implemented yet. The sheriff's department plans to turn the commissary operations over to a private vendor.*

The report is intended for the information of the management of the Office of Sheriff of Butler County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

SPECIAL REVIEW OF  
SHERIFF'S OFFICE  
BUTLER COUNTY, MISSOURI  
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the Butler County Sheriff's office on recommendations made in the Management Advisory Report (MAR) of our report of Butler County issued for the two years ended December 31, 1996. The prior recommendations which have not been implemented have been repeated in the current MAR.

Sheriff's Commissary

- A.1. Monies received from (or for) inmates were held in cash and were used to cash a personal check for a jail employee and to pay an invoice which was subsequently reimbursed.
- 2. The inmate account ledger was not reconciled to the inmate bank account.
- 3. Inmates were allowed to carry negative cash balances, and bank charges assessed on the inmate account were not reimbursed from the commissary revenue account.
- B.1. Perpetual inventory records were not maintained, and some vendor invoices and inmates' order forms were not retained.
- 2. Periodic physical inventory counts were not performed.
- 3. Procedures had not been established for marking up inventory prices to ensure an adequate profit was received from the operation of the commissary.

Recommendation:

The Sheriff:

- A.1. Deposit monies held in trust for prisoners to the inmate trust account intact daily or when accumulated receipts exceed \$100. In addition, inmate funds should be used only for the inmates' benefit at the inmates' directions.
- 2. Reconcile the inmate account ledger to the inmate account at least monthly and investigate and resolve all errors and discrepancies in a timely manner.
- 3. Discontinue the practice of allowing inmates' accounts to carry negative balances and seek reimbursement from the commissary sales revenue account for all bank charges incurred on the inmate monies bank account.
- B.1. Maintain perpetual inventory records and adequate supporting documentation to account for commissary merchandise including balances for each item, purchases, sales, credits, and other uses of inventory.
- 2. Ensure a periodic physical count of inventory is performed at least monthly by an employee independent of daily commissary operations. The results of that inventory should be

compared to the inventory records and discrepancies should be investigated in a timely manner.

3. Establish a formal policy to regulate the mark up of commissary inventory. In addition, the Sheriff's department should formally monitor the commissary revenues and cost of goods sold to ensure an adequate profit is received from the operations of the commissary.

Status:

A.1. Partially implemented. Inmate monies are no longer held in cash and used to cash personal checks or pay invoices. However, some monies were not deposited intact. See MAR No.1.

A.2,

B.1,

&B.2. Not implemented. See MAR No. 2.

A.3. Partially implemented. Inmates are not allowed to carry negative balances. However, some bank charges incurred on the inmate account were not reimbursed. Although not repeated in the current MAR, our recommendation remains as stated above.

B.3. Implemented.

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